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GERMAN ECONOMIC COMMISSION
MAIN ADMINISTRATION FOR CHEMISONS

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1) Report on the Activities of Our Enterprises and Federations in the
First Half of 1949 in Comparison with the Second Half of 1948

a) In Regard to Production

A comparison of production figures for the first half of 1949 with those for the second half of 1948 shows a pronounced rise in total production as well as in the production of important items.

This may be seen from the following:

	<u>Rise in 1st half 1949 in %</u>	<u>Decrease (from 2nd half of 1948) in %</u>	<u>Fulfillment of annual plan (Norm 50%)</u>
Total production	27.2	-	-
Employees	6.7	-	-
Productivity per worker	17.5	-	-

The following shows the situation for the principal products:

Sulphuric acid	21.9	-	55.6
Soda, calcined	15.3	-	47.5
Caustic soda	6.7	-	49.6
Potash	25.6	-	50.0
Calcium carbide	55.5	-	38.4
Lacquers and paints	21.6	-	59.4
Synthetic resins	18.1	-	42.6
Synthetic resin lacquers	9.3	-	36.2
Soap (at 40%)	73.0	-	41.4
Washing agents	54.6	-	56.4
Penicillin	104.0	-	32.8
Gasoline	19.4	-	90.1

Diesel fuel	-	17.2	48.2
Lubricating oil	-	10.6	19.9
Phosphorus fertilizers	-	20.1	29.7
Potassium ammonium nitrate	16.7	-	44.3
Potassium salts for fertilizer	24.4	-	52.5
Pyrites	23.4	-	50.6

b) Finances

The financial situation of the enterprises and combines was very difficult in the first half of 1949.

The change-over of the whole accounting system to conform with the finance plan caused great difficulties in the beginning.

The inventory amounts for stock of raw auxiliary and operational materials, as well as of semi-finished goods, as shown in the balance sheets are too high compared with the amounts specified in the Plan, which were determined on the basis of fixed standard days, but are too low for the actual process of production.

The fixed assets, on the basis of the fixed standard days, do not conform with the actual economic situation. Calculations give the following results:

According to the approved finance plan there is a surplus of fixed assets amounting to DM 54.3

According to the new finance plan, not yet approved, there is:

- a) based on the fixed standard days, a surplus of fixed assets of DM 39.0 million
- b) based on justifiable standard days, a shortage of fixed assets of DM 1.0 million

The two combines "ALCID" and "KOHLEWERTSTOFFE" have obtained an advance of

DM 1.0 million

toward fixed assets in order to be able to overcome the worst financial difficulties.

Matters were eased somewhat by the discharge of long-term obligations from budget funds. Up to 30 June 1949 an amount of DM 15.55 million had been paid off.

The planned reduction in floating capital by means of the sale of inventory surplus or by barter of goods within the economy had not yet had any effect by 30 June 1949. Nor were any substantial amounts of money realized by turning over outstanding claims to the land credit banks, especially since these were not cash transactions, but credit arrangements, with interest charges.

Investments were seriously affected by the finance plan. A total of

DM 27.7 million

are planned for investments in the chemical industry. Not included in this amount are carryovers from former years, investments for factory and business equipment, investments for training schools, or investments which proved, during the course of the year to be absolutely necessary to carry out production.

Institution of the principle of

"Plan Discipline"

made it necessary to discontinue work on planned investments which were not yet approved. This omission may cause damage to production and to the economy, and the situation must therefore be corrected as quickly as possible in order to protect the people's property. Therefore an early decision on additional planned investments becomes necessary. Calculations for the Main Administration for Chemistry give the following picture:

		<u>in million DM</u>
Approved investment plan		27.7
Carryovers from former years	7.3	
Investments started in 1949, but not yet approved	4.0	
Investments to expand production programs	3.8	
Additional requirements for approved investments	6.4	
Factory and business equipment	2.5	
Training	0.9	24.9
Total for supplemental plan	24.9	

	52.6
Less amount made available from investments not to be carried out in 1949	<u>1.4</u>
Total for the new 1949 investment plan	51.2

The following can be seen by comparing the second half of 1948 with the first half of 1949 (see enclosure 3)

Investments made during the second half of 1948	17.8 million DM
50 percent of the approved investment plan for 1949	13.9 " "
Investments made from 1 Jan - 30 June 1949	
a) according to plan	7.8 " "
b) beyond the plan	<u>7.2 " "</u>
Total	15.0 " "

The planned investments actually made amounted to only 28 percent of the annual plan as of 30 June 1949. However, in considering this low percentage one must not overlook the fact that the finance plan was not approved until May 1949.

On the basis of available figures (balance sheets of 30 June 1949 are not yet available), substantial increases have resulted regarding turnover and profits, as compared with the second half of 1948; the fulfillment of the plan is in accordance with the aims of the finance plan for the whole year of 1949:

Turnover (see enclosure 1)

2nd half of 1948	DM 245 million
1st half of 1949	DM 296 million
Increase	16 percent
Fulfillment of the annual plan	53.4 percent

Profits (see enclosure 2)

2nd half of 1948	DM 4.2 million
1st half of 1949	DM 12.5 million
Increase (approximately)	200 percent
Fulfillment of the annual plan	53.4 percent

Even though the finance plan was adequately fulfilled as far as turn-

over and profit up to 30 June 1949 are concerned, one must point out that the generally very difficult financial situation has already shown some tendencies toward lower sales. In future, it will be necessary, on the one hand to improve the quality if possible, and on the other hand, experts must study the markets and do intensive work, in order that the people-owned economy may obtain and retain the position it deserves.

2) Accounting system for the enterprises.

Since we have behind us a year of work on a zonal basis and since we have had the opportunity to look into the accounting system of the enterprises, it is now necessary to organize the accounting system in a manner that will allow us to arrive at monthly accounting results for every individual product at every one of the enterprises.

These monthly accounting results have to be forwarded from every enterprise to the Federation by the end of the month following the report month. A combined report for the whole quarter has to be added to the report covering the 3rd month of every quarter.

The Federation will examine the reports of the enterprises, compile the production accounts quarterly, and forward them to the Main Administration for Chemistry (business department) not later than six weeks after the end of the quarter, in duplicate. This will be done for the first time for the 3rd quarter of 1949 (not later than 15 November 1949).

A commission for developing the accounting system is to be organized, consisting of experts from the enterprises and from the Federation. This commission will be responsible for the development and execution of all accounting in the enterprises and in the Federation.

3) Structural Plan of Our Federations

Since the Federations have been active for a year now and have built up an organization to help them carry out their tasks, it seems appropriate now to combine these organizations into a single structure.

A plan for the normal structure of the Federations has already been forwarded to the directors.

4) Statistics

Statistics, worked out perfectly and giving absolutely reliable figures, are a prerequisite for the success of any planned economy. Only with the necessary statistics is it possible to obtain the required data in time. Since it is necessary to use exact figures for every report, the statistical departments of the enterprises, the Federations, and the Main Administration must be appropriately built up and organized.

On the basis of the structural plan it seems advisable to differentiate between two groups of statistics, namely production and financial statistics. Both of these groups must be properly coordinated.

Total Statistics

Production Statistics

Production figures
Plan figures
Employees
Wages and salaries
Working hours
Productivity

Financial Statistics

Turnover
Profits
Credits
Accounts receivable
Taxes
Subsidies
Investments
Amortizations
Large-scale repairs
Interzonal

5) Miscellaneous

a) Sale of surplus inventories. (amounts ^a above the Plan)

Surplus inventories will be sold at the following prices:

Goods which were carried as raw, auxiliary, or operational materials, by the former enterprises, at their inventory value;

Goods which were delivered as finished products by the former enterprises, at the legally permissible producer's delivery price.

In case a product has to be sold below the inventory value, permission must be obtained from the business department of the Main Administration for Chemistry.

Unavoidable losses must be listed separately in the objective calculation of profits, in order to avoid any loss to the workers, who are entitled to share in any profit above the directors fund.

b) Issuance of Regulations.

The Federations (Kohlewertstoffe [carbon products] and Kali and Salze" (Potash and Salts) have issued joint regulations for accounting. It now seems appropriate to expand these into regulations for the whole Main Administration for Chemistry and to apply them to all Federations. For the time being the work will continue to be directed by "Kohlewertstoffe" and Kali und Salze". The Federations are requested to cooperate fully.

c) Research and Development.

A research plan covering 45 items was set up for 1949 for the first time. The main items in this plan are those which will make it possible to curb imports of certain raw materials. One example is the production of apatites by a radiation process in order to produce a phosphorus fertilizer which will be soluble in citrate. This will result in a great saving in pyrites and sulphuric acid. Another example is the qualitative improvement of Fuller's earth, which will also help conserve sulphuric acid. The work in the field of insecticides should also be mentioned, since its usefulness is readily apparent.

The main effort in research lies, without any doubt, in the field of antibiotics development (penicillin, streptomycin) and in the total synthesis of fats. Research work on penicillin has progressed to the extent that production of it is now on a large scale, while research work in the field of total synthesis is still going on.

We have been able to conclude the research and development work in the phosphate field and production of luminous phosphates has already started.

d) Interzonal and Foreign Trade

All measures regarding interzonal and foreign trade must be centered on safeguarding the production of basic chemicals and vital finished products, by obtaining those raw and auxiliary materials which are not available or cannot be produced in the Soviet Zone or are available in only

small quantities. The aim of concentrating the production of these materials in the Federations of People-Owned Plants on a zonal basis is also supported by the import policy.

Imports of raw materials used exclusively in the chemical industry, as well as semi-finished and finished products, amounted to 12 percent of total imports in the second half of 1948 (including the Western Zone) and reached the same percentage in the first half of 1949, without the Western Zone. The share of the Main Administration for Chemistry and its affiliated Federations amounted to about 40 percent in the second half of 1948 and fell to about 22 percent in the first half of 1949.

This decrease was due to the fact that some priority raw materials, e.g. crude phosphates, fats, and paints, could not be imported to the extent required in the first half of 1949. Furthermore, global trade agreements are known to show their effects more clearly in the second half of any year than in the first.

It must be noted that trade with the countries adjacent to Germany, e.g. Holland, Belgium, Luxemburg, Czechoslovakia, and Bulgaria, showed a rise in the first half of 1949 over the second half of 1948.

As far as exports are concerned, the share of chemical exports in the export total was 23 percent in the second half of 1948, ^{and} ~~and~~ rose to 33 percent in the first half of 1949. The share of the Main Administration for Chemistry and its affiliated Federations, rose from 10 percent to 30 percent; ^{or} ~~and~~ this the share of the "Kali und Salze" Federation rose from 40 percent to 75 percent.

Exports of finished products, particularly desired because wages account for a large share of their value, has not yet improved materially. Of great importance here is the quality, which in turn depends partly on our raw material basis. Another handicap is the fact that the offices charged with the promotion of such export are not sufficiently active. It appears necessary to create an authority in the Soviet Zone which will handle all the interzonal and foreign trade of the chemical industry in close cooperation with the Federations and the Main Administration for Chemistry. Improvement in quality and more intensive marketing work must be the prerequisites for progress in this important branch of our economy.

SECRET

WILL PRODUCE NEW TRACTOR; MODIFIES STZ-NATI -- Sovetskoye Slovo,
No 235, 5 Oct 49

In the near future, a new and more powerful diesel tractor, the STZ-TD 54, will roll off the assembly line at the Stalingrad Tractor Plant. At present, twice as many tractors are coming off the main line as came off in 1940. There has been a great increase in the wages of individual workers at the plant. A lathe operator, a heat-treatment man, a moulder and many others are making 3,500-3,900 rubles a month.

There have been a number of structural changes in the STZ-NATI ^{tractor}~~tractor~~. A new anti-knock cylinder head, a semirigid cardan shaft and a simplified carburetor are among the new features.

METAL-ROLLING PLANT FINISHES 1949 PLAN -- Sovetskoye Slovo, No 235,
5 Oct 49

The Hettstedt Nonferrous-Metal Rolling Plant, Sachsen-Anhalt, completed its 1949 plan on 30 September. The Plant sent a telegram to the FDGB (League of Free German Trade Unions) announcing that it was the second enterprise, following only the "Velen" Chemical Combine, to report fulfillment of the year plan.

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